

# Town of Lunenburg

## Finance Committee:

Mark Erickson, Chairman  
Terri Burchfield, Vice-Chairman  
John Henshaw, Secretary  
Karin Menard  
Caroline Griffis  
Jay Simeone



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## Lunenburg Finance Committee Minutes: March 26, 2015 Meeting

Location: Town Hall  
Present: Mark Ericson, Terri Burchfield, Karin Menard, Jay Simeone, John Henshaw  
Also Present: Jamie Toale--BOS Liaison, Kerry Speidel, Town Manager  
Absent: Caroline Griffis

1. Mark called the meeting to order at 7:00 pm.
2. Communications:
  - A. Public: None.
  - B. Committee:
    - i. Mark passed around the latest issue of *The Beacon*.
    - ii. There is a meeting of the Planning Board on April 13 on a requested zoning change.
3. The FY2016 Budget Public Hearing: The Town Manager reported on changes in revenues and expenditures subsequent to the preliminary budget dated February 15.
  - A. Changes in revenue:
    - i. Net increase new revenue is nearly \$430,000.
      - \$145,000 is due to an increase in new growth as calculated by the Town's assessor.
      - This is recurring source of revenue, which may be used to fund operating expenses.
    - ii. Net increase in state aid in the Governor's new budget is nearly \$225,000.
    - iii. This includes \$116,000 Chapter 40S state aid to Education-which is a revenue source the Town cannot count on going forward.
      - Chapter 40S aid is to reimburse educational expenses in specific situations (only two towns in the Commonwealth qualify for this aid, and it must be applied for) which also means that it is vulnerable to being cut from the state budget,
      - As this is non-recurring revenue, it should fund non-recurring expenditures. Superintendent Calmes identified \$116,000 of these, so Kerry set the 40S grant at \$116,000 to equal the amount of expenditures.
    - iv. Net changes in available funds account for the rest of the increase—about \$60,000.
    - v. The increased revenue does not include any re-imbursements either for the first storm, or for the subsequent three storms because it is not certain that the Town will receive any reimbursements.

- B. Adjustments to expenditures:
- i. Net increases in expenditures related to the adjustments in revenues is about \$300,000.
- C. The net surplus (increased revenues less increased expenditures) is nearly \$130,000.
- i. Although a surplus like this would be significant in most household budgets, it's slightly over 0.4% (four-tenths of one percent) of the Town omnibus budget.
- D. Proposals to apply the net \$130,000 increase in revenue:
- i. To address areas of public welfare and safety:
    - Narcan and Quick Clot having them would enable police officers, who often are first responders, to administer them to people and mitigate serious health consequences or even save lives.
    - CPR training for Police Officers, with the same benefits Narcan and Quick Clot confer. Note: This may already be included in training in the FY16 Police Budget.
  - ii. To address maintenance of assets:
    - Increase the vehicle maintenance budget, which was over budget in FY14 and FY15.
    - Earmark some of these funds to repair/upgrade some of the stormwater system. As Paula Bertram reported, new requirements for stormwater systems will take effect at an as yet unspecified date. Compliance, which is mandated, may cost \$250,000 to \$500,000.
  - iii. To address increasing class sizes in the schools.
    - Note: This would need to be done with care to make sure non-recurring revenues were not used to fund recurring expenditures, like personnel. For instance, the increase in new growth, which is a recurring source of revenue, could be used to fund recurring expenditures.
  - iv. To address the fact that actual spending for snow and ice removal regularly exceeds the budget by several tens of thousands of dollars, increase the snow and ice account to more closely approximate actual costs the Town has spent in the past few years.
    - Kerry referred the meeting to the chart of the Ten-Year History of the Snow and Ice Removal Account in the Preliminary FY16 Budget Presentation. In eight of the last ten years the snow and ice removal account exceeded \$300,000. The average expenditure over that period was \$311,384.
    - In each of the last five years snow and ice removal cost over \$300,000, and the average was \$354,539. This excludes the winter of 2014-15.
    - Karin advised caution on how much the Town should increase this account. If the cost of snow and ice removal in future years is less than the budgeted amount, the Town may risk jeopardizing a subsequent option to deficit spend in this account
  - v. To alleviate the need to fund capital projects by borrowing, which may crowd out funding for operating expenditures.
    - Terri stated that she would prefer to use this surplus to fund capital projects rather than funding operating expenses for two reasons: First, it is surplus and may not recur, and second because funding capital projects through borrowing increases debt service costs, which extends through the borrowing period.
    - Mark shares her concern and added that deciding to borrow to fund capital acquisitions should take these consequences into account.
    - John described a spreadsheet tool being worked on that would let the Capital Planning Committee project future debt service costs based on variables—principal, interest rate, borrowing term, and down payment. Jamie is reviewing it, and John sent it to Kerry and Mark for them to look at.

- The Capital Planning Committee will meet this coming Tuesday, March 31 at 4:00 at Town Hall and all interested are encouraged to attend.
  - In light of this meeting, Mark would like to postpone capital discussion until capital planning committee meeting has taken place.
- E. Opportunities for improvements and questions about the budget process:
- i. Timeliness:
    - Carl Luck stated that if the public had had more time to look through all final department budgets before the public hearing they would have been better able to review and understand these budgets. Carl cited the school department's budget as an example.
      - Although the Town is obligated to put together a balanced budget, and that entails setting the overall school budget, the School Committee is responsible for setting the line items in the school budgets and had public meetings during the FY16 budget process. So, although the final school budget proposal was finished this week, with a presentation scheduled for Wednesday, April 1, the public had opportunities to review the budget—albeit it one that did not align with Town budget goals.
    - Mark stated that the budget process is iterative: Initial budgets, based on improving service levels, were presented to this committee over the past month. After that departments developed and subsequently submitted budgets at levels required to provide level services and which align more closely to targets set by the Town Manager. State law mandates that the Town's budget be balanced—expenditures equal revenues—that is, a budget constrained by projected revenues. The sole permissible instance of deficit spending is the snow and ice account. (See point 3.D.iv above for background.)
    - As these iterations take time and as changing revenues require changes to the budget, one result is that there is a risk of having less time for review.
  - ii. Limitation of the use of non-recurring revenues:
    - Carl Luck said that the schools had arguably used non-recurring revenue--a one time savings from SPED--to fund an ongoing program with recurring costs.
    - Mark stated that it is the policy of this committee to use one-time revenues solely to fund one-time expenses and specifically not to fund on-going expenses. Indeed, the Town's Financial Policy—formally adopted earlier this fiscal year—explicitly proscribes funding on-going expenditures with one time revenues.
- F. Mark tabled the rest of the Public Review of the FY16 Budget until next week.

4. Review of the Articles in the Warrant:

| Article   | Explanation/Discussion   | Vote   |
|---|--|--|
| 1-6: Consent Calendar: Annual reauthorization of Revolving Funds. | <ul style="list-style-type: none"> <li>○ The Town cannot overspend a revolving fund.</li> <li>○ The ambulance revolving fund is the only one that increased</li> </ul> | Terri made a motion to recommend approval of the six articles on the consent calendar and related expenditures. Karin seconded. The Committee approved the motion 5-0. |

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| 7 To hear and/or accept written reports.                        | No direct financial effect.  | No vote necessary.  |
| 8 Payment of prior year's expenses.                             | Payment of prior year's expenses.  | Terri made a motion to recommend approval to allocate \$1,782 to pay prior year expenses, John seconded. The Committee approved the motion 5-0.                             |
| 9 Transfer from available funds to amend amounts in the budget. | No direct financial effect on the total budget.  | No vote necessary.  |
| 10 Related to collective bargaining.                            | No direct financial effect.  | No vote necessary.  |
| 11 Related to collective bargaining.                            | No direct financial effect.  | No vote necessary.  |
| 12 Related to collective bargaining.                            | No direct financial effect.  | No vote necessary.  |
| 13 Related to collective bargaining.                            | No direct financial effect.  | No vote necessary.  |
| 14 Capital Plan Proposed adjustment.                            | The committee will take this up next week after the Capital Planning Committee has decided on the proposed change to the capital plan. | Pending   |
| 15 Supplementing the Stabilization fund.                        | The committee will take this up next week when more information is available.  | Pending   |
| 16 FY16 Budget  | The committee will take this up next week.   | Pending.  |
| 17 Sewer Enterprise Fund  | The committee will take this up next week when the amount in question is set.  | Pending.  |
| 18 Solid Waste Disposal   | This account is self-funded by sales of trash bags.<br>There is no increase in bag fees.   | Terri made a motion to recommend approval of \$265,000 to operate the solid waste program enterprise fund in FY2016. Karin seconded. The committee approved the motion 5-0. |
| 19 Water Department Enterprise Fund                             | Typically none of the \$25,000 in this account is spent. It is in reserve in case it is needed by the Water Department.                | John made a motion to recommend approval to fund the account with \$25,000. Terri seconded the motion. The committee approved 5-0.  |
| 20 Lake Whalom Access   | No direct financial effect.  | No vote necessary.  |
| 21 Marijuana in Public  | No direct financial effect.  | No vote necessary.  |
| 22 Pawnbrokers  | No direct financial effect.  | No vote necessary.  |

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| 23 Sexual Offenders  | No direct financial effect.  | No vote necessary.  |
| 24 Granting an easement for gas line right of way to new school.                       | No direct financial effect.  | No vote necessary.  |
| 25 Granting an easement for Electric lines right of way to new school.                 | No direct financial effect.  | No vote necessary.  |
| 26 Using bond premiums to reduce future borrowing and related costs of the new school. | Committee to decide after the amount of the premium is known.  | Pending.  |
| 27 Architectural District  | No direct financial effect.  | No vote necessary.  |
| 28 Village Center District   | No direct financial effect.  | No vote necessary.  |
| 29 Zoning By-law change  | No direct financial effect.  | No vote necessary.  |
| 30 Zoning By-law change  | No direct financial effect.  | No vote necessary.  |
| 31 Zoning By-law change  | No direct financial effect.  | No vote necessary.  |
| 32 Zoning By-law change  | No direct financial effect.  | No vote necessary.  |
| 33 Zoning By-law change  | No direct financial effect.  | No vote necessary.  |
| 34 Zoning map change   | No direct financial effect.  | No vote necessary.  |
| 35 Flat Hill Road scenic   | Await determination about whether having this designation would put the Town in any future obligation.   | Pending.  |
| 36 Northfield Road scenic  | Await determination about whether having this designation would put the Town in any future obligation.   | Pending.  |
| 37 Whether to make White Tail Crossing a Public Rd?                                    | The committee would like to know the estimated cost to care for and maintain this road before deciding to make a recommendation.   | Pending.  |
| 38 Zoning change-Commercial to Business.   | No direct financial effect.  | No vote necessary.  |
| 39 Sewer Collection System \$300,000 for an extension to Pleasant View St.             | This betterment project is to address a real need on the part of residents who live in this area, per criteria in the Comprehensive Wastewater Management Plan. No general levy money will be expended as all costs will be covered by betterment charges. | Terri made a motion that the committee recommend approval of a transfer of \$300,000 for the betterment project, and Karin seconded. The committee approved the motion 5-0. |

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| 40 Police Special Fund-Detail Sal.   | The purpose is to pay special detail salaries for off duty details.                | Terri made a motion that the committee recommend approval for \$10,000 to be put in the Police Special Fund, John seconded. The committee approved the motion 5-0. |
| 41 Reserve capacity stabilization fund.  | Establish this fund and set aside fees to pay for reserve capacity fund as needed. | John made a motion to recommend approval to establish this fund and set aside fees to fund it. Terri seconded. The committee approved 5-0.                         |
| 42 Establish a revolving loan to assist qualified town residents to upgrade/replace septic systems or connect to sewers. | To be considered April 2 meeting.  | Pending  |
| 43 Rescind the remaining borrowing authorization from article 2 of the November 2001 STM.                                | To be considered April 2 meeting.  |  |
| 44 Minor re-wording of articles  | To be considered April 2 meeting.  |  |
| 45 Minor re-wording of articles  | To be considered April 2 meeting.  |  |
| 46 Minor re-wording of articles  | To be considered April 2 meeting.  |  |
| 47 Re-wording Farmers' Market  | To be considered April 2 meeting.  |  |

5. Minutes of the March 19 meeting: Karin made a motion to approve the minutes, and Terri seconded her motion and the committee approved the minutes as submitted 4-0. As Mark did not attend the March 19 meeting, he did not vote.

6. Committee/Department Liaison Updates:

| Committee/Department—<br>Reported By: | Update:  |
|---------------------------------------|--|
| Capital Planning--John H.             | The CPC will meet on Tuesday, March 31 at Town Hall to take up changes in the Town Manager revisions, review the priority of capital project requests, and take up a request from the library and financing or purchasing capital items. |
| Public Works--John H.                 | No report.   |
| PACC--John H.                         | No report.   |
| Library--Caroline G.                  | The Library Trustees will meet on Wednesday, April 1 on the library FY16 budget.   |
| Council on Aging--Caroline G.         | No report.   |
| Public Safety--Terry                  | No report.   |

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|----------------------|--|
| Schools—Karin        | No report.                                       |
| Monty Tech—Karin     | No report.                                       |
| Sewer Commission—Jay | No report.                                       |
| Green Community—Jay  | No report.                                       |
| Building Re-Use—Mark | Next building re-Use meeting will be on April 6. |
| School Building—Mark | No report.                                       |

7. Future Agenda Items:

- A. Budget Goals and Opportunities
- B. Pavement Management Program
- C. Review contract commitments (E.g. sick leave buy-back.)

8. Next Meeting: April 2, Special Meeting:

- A. Complete the review of the FY16 Budget.
- B. Resume discussions on articles in the Fiscal Year 2016 Warrant and votes on those articles that have a direct financial effect on the Town's revenues and/or expenditures.
- C. Mark plans to bring a copy of the Finance Committee budget letter to the Town and the committee will review it.

9. Adjournment: Terri moved to adjourn the meeting, Terri's motion was seconded by Karin and approved 5-0. The meeting adjourned at 9:11 pm.

Respectfully submitted by John Henshaw April 20, 2015

Copy: Paula Bertram  
Carl Luck